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PG&E's Summer 2005 Supply and Demand Outlook

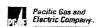


March 21, 2005

CA ISO Northern California Area - Summer 2005 Peak Demand Forecast

- PG&E's control area forecast is comparable to the CEC's projections for the summer of 2005.
- PG&E's control area forecast includes PG&E bundled load, PG&E direct access load plus the loads of municipal utilities and irrigation districts served via PG&E's transmission system. This forecast excludes the SMUD control area.

PG&E Control Area Forecast compared to CEC Forecast							
2005 Summer Peak Load in MW							
	PG&E	CEC	Difference				
1 in 2	21,428	21,289	139				
1 in10	22,630	22,710	(80)				



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PG&E's Extreme Temperature Scenarios

- PG&E's peak load model is estimated using the past ten years (1994-2004) of monthly peak day data.
- PG&E uses 45 years of temperature data to derive its temperature statistics used for forecasting.
- For the 1 in 2 forecast, PG&E simulates the estimated model using the average highest temperature in each month, except for July/August where we simulate the model over the average highest temperature for the year.
- For the 1 in 10 scenario, the model is simulated over temperature statistics chosen to represent a level that would not likely be exceeded, on average, more than once in a ten year period.
- Because the 1 in 10 events are so rare, we really can only guess at what the temperature response function looks like at such extreme values.
- According to our temperature data there have only been two years in the period 1984-2004 that have had temperatures that were very near to or above the 1 in 10 level.



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PG&E's Supply and Demand Outlook for Summer 2005

- PG&E will have sufficient resources to meet 115% of its expected customer peak demand for the summer months of 2005. The majority of the CA ISO northern California demand is PG&E's retail load.
- PG&E's owned and contracted resources are expected to be fully available. PG&E
 hydroelectric portfolio is currently forecasted to produce 100% of the average year energy
 generation, and 100% of the hydro capacity is expected to be available during peak electric
 demand periods.
- Proven demand side programs and expected energy efficiency programs are included in the portfolio
- PG&E has contracted with Mirant Company for dispatch rights to units at Pittsburg and Contra Costa Power Plant (966 MW). Also, PG&E has filed for approval with the CPUC a contract with Duke Energy for 650 MW which were at risk for retirement. PG&E continues to be in active negotiations with merchant companies who own power plants that are at risk for retirement.
- PG&E currently does not have a CAISO local area reliability capacity beyond RMR.
- In collaboration with the CAISO, PG&E has been upgrading its transmission, such as Path15, and distribution facilities to enhance and improve overall electric system reliability.

Pacific Gas and Electric Company.

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CEC's Report "Summer 2005 Electricity Supply and Demand Outlook"

- PG&E appreciates the collaborative work done by the CEC, CPUC, and CAISO in this assessment.
- PG&E has provided its 2005 retail load and resource forecasts to the CEC and CPUC. We will continue to work with staff to provide such relevant information as needed.
- PG&E concurs with these agencies that the CA ISO northern California reserves are adequate under normal and hot temperature scenarios.
- The concerns that PG&E has regarding the report are:
 - The assumptions and methodology used to calculate the loads, resource availability and reserves margin should comport with the CPUC-adopted resource adequacy rules.
 - PG&E's is one of several load serving entities (LSEs) in the CA ISO northern California with loads
 and resources. In order for PG&E to comment, we need to know the assumptions being made
 specific to PG&E (on a confidential basis). For example, PG&E doesn't understand the statewide
 hydro deration of 2700 MW from dependable capacity. PG&E's share of hydro capacity should not
 analysis.
 - Proven demand response and expected energy efficiency savings should be counted in the loads and supply balance when calculating the reserve margin.



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Forecasts Compared to Observed Summer Peak Demand

- PG&E developed its current forecast model after the 2001 "energy crisis" for use in transmission planning, distribution planning and procurement planning exercises.
- Over the past 3-years, the forecast model has performed remarkably well.

	PG&ESystemForecast inductes PG&E, Mun's and SMLD						
	Forecast MW	Cheerved M/v	Observed Error	Temp Normalized Coserved	Temp Normalized Error		
2002 2003 2004	22,670 23,489 24,086	23,226 23,115 23,257	(626) 374 809)	23,076 23,635 24,237	(406) • (145) (171)		



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